

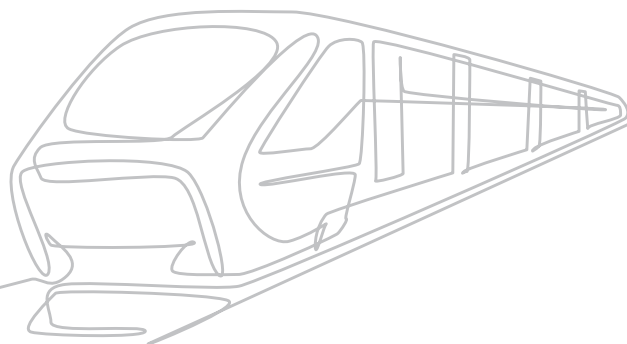
HMH

Annual Report 2022



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Company details **HMH**

Business name:	HMH, s.r.o.
Company's ID No.:	31 356 273
TAX ID No.:	2020345679
VAT registration No.:	SK2020345679
Headquarters address:	Tavarikova osada 39, 841 02 Bratislava, Slovakia
Commercial Register:	District Court Bratislava I in Section Sro, Insert No. 5576/B
Executive manager:	Ing. Tomáš Horváth, Špieszova 7, Bratislava
Partners:	Ing. Tomáš Horváth
e-mail:	hmh@hmh.sk
Paid-up capital (account 411):	20,000 EUR
Legal reserve fund (account 421):	2,000 EUR
Average number of employees:	77

The management body of HMH, s.r.o. is an executive manager.

The company's accounting period is a calendar year. The company does not have a branch plant or an organizational unit in the country.

The company does not own a business share in another company, nor is it owned by another company.

Main activity (according to Business Register of SR):

- automated data processing
- software procurement – sale of ready-made programs based on contract with the authors or creation of programs to order
- production, assembly, repair of consumer electronics products and devices
- assembly and repair of office and reproduction equipment
- production, installation, repairs of electrical machines and devices
- consulting, teaching activities in the field of computer technology, measurement and control technology
- publishing activity
- design, assembly, revision, repair and maintenance of measuring equipment, regulating and control technology

Foreword

We have had another successful year. A step we have taken towards fulfilling our vision and mission. A year that was different from the previous ones. Just because HMM, s.r.o. completed the third decade since its foundation. When the company was founded and in the first years of its activity, we did not pay much attention to defining the values that would determine the company as such, its priorities, direction and processes. We mainly focused on performance. In other words, how to get contracts and orders. Standing on this one pillar, however, proved to be insufficient and not promising in the long run. What started timidly in 1996, and took off more convincingly after 2000, is the second pillar – our own products and services with the MIREL trademark. We can modestly say that it is currently the concept of safety and reliability in rail transport on a Central European scale. A lot of engineering skill, effort and experience, hundreds of thousands of hours of research, development, production and independent testing are put into MIREL products. It represents a great certainty and self-confidence for us and is often a differentiating factor from the point of view of the perception of HMM by our business partners on the market. Development dynamics is an important attribute for a healthy company. Having products and not innovating them is a short-term strategy. In 2022, we moved several fundamental innovation projects in progress closer to the goal.

We consider the ongoing integrations of the MIREL system with the products of foreign technological partners in the field of a unified European protection system to be one of the most important innovation goals. Equally pleasing is the progress in the process of homologation of MIREL systems in Poland. Capital stability or the existence of market-successful products and services would be unthinkable without our third pillar, which is the company's resources – competent employees and well-established company processes.

We do not pretend that the lack of qualified professionals on the labour market does not concern us. Employees, like the products themselves, are the company's greatest capital. We are aware of this, which is why we actively create an environment with above-standard opportunities for all-round professional and personal development of employees. We used the year 2022 to look for new talents among young people and to build awareness of HMM as a successful Slovak technology company with international reach. The ambition of HMM is to establish itself on the labour market as a high-quality employer.

As important as the questions What? and Who? is the question How? We do not forget about setting up internal and external processes. We are convinced that a good process setup is a guarantee of the efficiency and safety of what we do. It eliminates our mistakes and optimizes performance. Ultimately, it creates a sense of a job well done and a sense of accomplishment. And that we set up the processes correctly was also confirmed by a record number of demanding certification and customer audits.

We do not live in a bubble and we are not indifferent to the world around us. HMM's activities go beyond our railway projects. As part of philanthropy, in 2022, together with our partner from the non-profit sector, we supported humanitarian aid to people affected by the war conflict in Ukraine. The fact that, in addition to the company's funds, many employees also contributed their donations to this aid is highly appreciated.

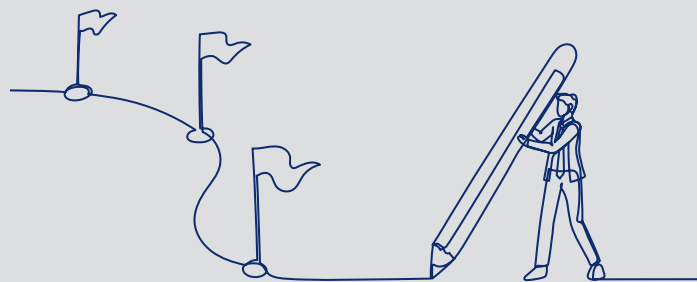
Responsibility, competence, perseverance and sustainability are the values that we have been able to identify as permanently present in the activities of HMM even when looking back at the previous thirty years. We are far from the goal of our vision, but we can evaluate the year 2022 as one of the most successful in history. It was once again proof of the stability, health and strength of our company, for which we owe thanks to both our employees and business partners.

Ing. Tomáš Horváth



Ing. Tomáš Horváth
Executive manager of HMM, s.r.o.

Milestones in history



1993

The establishment of the HMH company

1994

The beginning of publication of ATP journal

In its beginnings, the company implemented custom projects for industry and energy and founded the ATP Journal, a professional magazine for the field of industrial automation. The focus on automation in railway transport gradually became dominant. The development of the 1st generation of control systems for locomotives and the introduction of the MIREL trademark took place.

1997

The first application system for the MIREL RS350 railway vehicles

2000

Setting up the organizational structure, division into development, production, and service departments

The company continued the development and homologation of the 2nd generation of MIREL systems, which were put into operation on the railway network of the Slovak Republic in tens and hundreds of implementations. In addition to control systems, the product portfolio has been expanded to include protection and registration systems.

2005

ISO quality management system (ISO9001, ISO14001, ISO45001)

2010

Development of 3rd generation MIREL systems

The new system platform was used for complex control systems of electric locomotives and technological protection systems. At the same time, the company carried out further development of the MIREL VZ1 train protection system. It supplemented its functional features with the STM ETCS module for the LS system.

2013

Moving the company's operations to new premises enabling the planned development of the company

2015

The company's exports to the EU markets consistently exceeded the turnover on the domestic Slovak market

The company upgraded the MIREL VZ1 train protection system by supplementing its functional features with the STM ETCS module for the EVM system. It has implemented its system integration with many types of ETCS on-board units from most major manufacturers of this system.

2019

Exceeding turnover of 10 mil. €

2020

Changes in work organization and measures to minimize the impact of the pandemic situation on company results

2021

Changes in the owner structure
EY Technology Entrepreneur of the Year award

2022

Completion of the homologation process of MIREL VZ1 integration with ETCS on-board equipment in Slovakia, the Czech Republic and Hungary.

Mission

We are co-creating a world in which rail transport is attractive, safe and environmentally friendly.

Vision

As a professionally competent, healthy self-confident and well-managed company, we want to develop partnership cooperation with key companies in the field of rail transport in Europe through an innovative and unique portfolio of our own products.

Values



Solutions and innovations with added value

Our solutions are built on our ideas. We are not afraid to do things differently, to explore the usual ways in order to arrive at surprising results with high added value.

Perseverance

We believe in long-term partnerships and quality, durable solutions. They require determination, effort, strength to face even complications and willingness to find a way.

Partnership and respect

We honestly and openly build mutual trust. We strive for relationships that are beneficial for everyone – internally and externally, so that cooperation brings joy and benefit.

Responsibility

Whatever we do, we perceive the consequences of our actions. We strive to make them positive. We feel responsible for the environment in which we live – interpersonal, business, social and personal.

Quality

We approach everything we do in a systematic, deliberate manner and look for effective, elegant solutions. We are constantly improving – from the point of view of products, processes and competence. We have high expectations for ourselves and for the results of our work.

Organizational structure

The effort to apply a process approach in the management of the company has a direct impact on the organizational structure. The company's main process, order acquisition – development – production – service provision, directly corresponds to the 4 key departments of the organizational structure.

The company is divided into departments and sections, departments can be further divided into groups. The company's organizational structure uses a three-level management system.

Number of employees (as of 31 December 2022, excluding employees on maternity/parental leave)

77

100 %

The company's management	1	1 %
Business department	11	14 %
Development department	20	25 %
Production-supplier department	16	20 %
Customer support department	17	21 %
Publishing and marketing department	5	6 %
Economic and payroll section	3	4 %
Internal administration section	7	9 %

Staff structure (as of 31 December 2022, excluding employees on maternity/parental leave)

77

100 %

Secondary school	37	46 %
1 st degree of university	3	4 %
2 nd degree of university	38	48 %
Postgraduate	2	3 %

Men	58	73 %
Women	22	28 %

≤ 30	13	16 %
31 – 40	31	39 %
41 – 50	26	33 %
≥ 51	10	13 %

Average
age
39,5



Human resource

Despite the shocking geopolitical developments in Europe, significant market and economic turbulence, the company did well in 2022.

Through specific steps and activities, HMH s.r.o. strives to create a quality and stable work environment that provides employees with a background, opportunities for self-realization and opportunities for growth. In 2022, the company focused mainly on the following topics in this area:

- Caring for employees in turbulent times

The year 2022 began in the spirit of the ongoing COVID-19 pandemic and continued anti-pandemic measures. However, the topic fell into the background after the outbreak of the war conflict in Ukraine, which shocked the entire society. The situation and the events of the last few years resulted in a sharp inflation, which also affected the employees. In response to this development, the company has taken measures to provide employees with support and security even in uncertain times.

- Social responsibility concerns us all

The coronavirus pandemic, which was pushed out of the spotlight by the military conflict in Ukraine and the overall social situation, stimulated more intense communication and engagement in vehement social topics. The company involved its employees in several charity and volunteer projects in the past year. After the invasion of Ukraine, the company organized a fundraiser for humanitarian aid to Ukraine. In the summer and fall, employees participated in the volunteer activities Naše mesto and #GivingTuesday. These activities and communication about them not only directly help specific recipients, but also increase the sensitivity of employees towards those who need help.

- Building a company culture and internal communication

The pandemic has significantly affected communication and processes in society. A large part has moved to the online space, which has its perceptible limitations from the point of view of developing relationships and creating a common corporate culture. The challenge was finding a balance between online and offline communication so that it would be effective and bring a human dimension to the contact, which was very desirable after the past pandemic years.

The easing of anti-pandemic measures allowed a return to more personal communication, which also



Mgr. Katarína Prieložná
Human resources manager

The success of the company lies in the people who make it up – in their knowledge, competences, experience, attitude and ability to work together. This is also why the development and care of human resources are the company's long-term key priorities.

supports informal relationships and corporate team building. The company's employees met these intentions after a long time at the summer HMH Family Day, at the St. Nicholas afternoon, or during team or volunteer activities.

- The development initiatives focused on the continued development of the company's managers, but also the development of knowledge and skills needed in various areas of the company for the continuous improvement of the competence of employees and the company as a whole.

- Strengthening the employer brand and emphasizing the search and selection of suitable candidates

This year, the company focused more on building the HMH brand and making itself visible on the labour market as an interesting employer. For this purpose, it intensified its marketing activities in the field of human resources, participated as an exhibitor in career days at selected universities and strengthened its activities on social networks. Also thanks to this, in the course of 2022, the company filled key job positions.

- Communication and cooperation with students

In 2022, the company intensified its contact with students. The goals pursued by the company in this area were:

- To allow students contact with practice, which is a necessary supplement to the theory they acquire in the study process.
- To strengthen the position of the company among students who represent potential employees in the future.
- Expansion of internal capacities.

Integrated management system

The common interest of the company is to constantly improve the Integrated Management System, taking into account the internal and external environment and the expectations of our partners. Partners are not only employees, customers and suppliers, but also the local community and the environment.

Also for this reason, in the past year the Integrated Management System (IMS) in the company was expanded by:

- Management, development and maintenance provision system in accordance with the requirements of Commission Implementing Regulation (EU) 2019/779 (ECM Regulation), and
- Strategy and concept of socially responsible business in terms of CSR requirements.

Quality management system

STN EN ISO 9001:2016

As part of the continuous improvement of its products, in the past year the company incorporated the applicable requirements of ISO/TS 22163 specific to the railway industry in order to increase the quality and reliability of manufactured components and systems with an emphasis on the effective setting of internal processes. The company has also successfully completed a significant number of external audits of the established QMS and gained experience in FAI and PTR audits. By establishing a strategy in the field of management, development and provision of maintenance in accordance with the ECM Regulation and gradually implementing the latest approaches, it also increases the quality of its provided services and systematically improves customer satisfaction.

Environmental management system

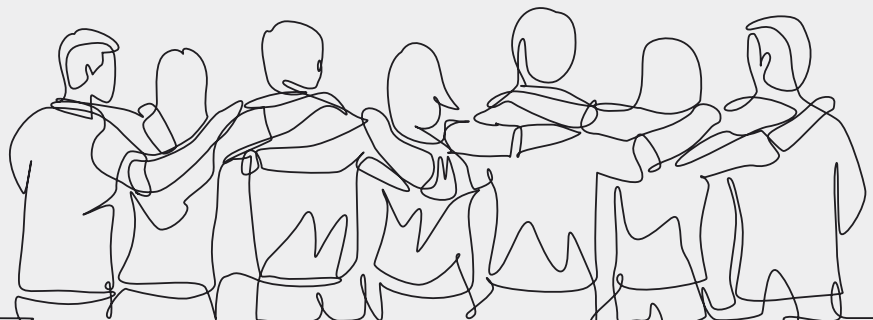
STN EN ISO 14001:2016

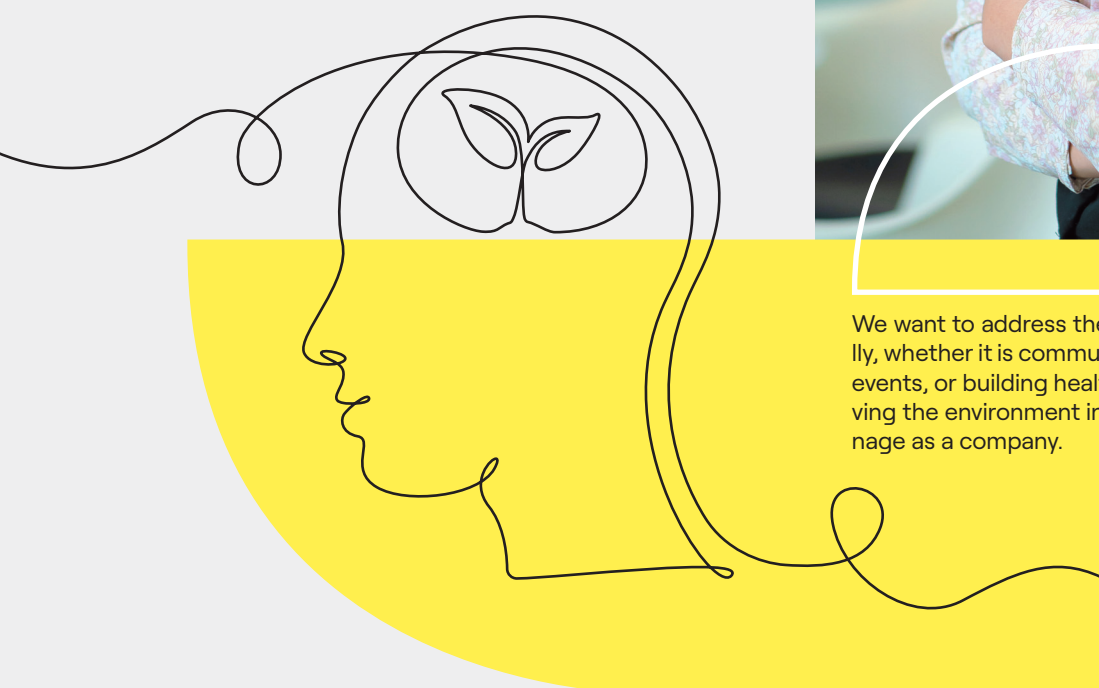
The company perceives its responsibility to monitor and reduce the negative impact on the environment throughout the entire life cycle of its products and when providing services. By accepting other voluntary commitments, in addition to preventing environmental pollution, the company began to actively devote itself to improving the immediate surroundings with the aim of engaging employees and systematically cultivating their environmental sensibility. We see the meaning in small targeted steps, but also in inspirations and innovations directed towards sustainability.

Occupational health and safety management system

STN EN ISO 45001:2019

The company's unequivocal goal in the field of health and safety is to provide safe working conditions for all its employees. The company constantly encourages employees to identify risks associated with work activities so that preventive measures are targeted. In the past year, the company did not record any occupational accidents. In addition, by successfully introducing e-learning education and increasing the quality of external services in the field of OSH, it tries to constantly improve the OSH management system.





Ing. Ida Divékyová
Process coordinator

We want to address the topic of CSR systematically, whether it is community development, volunteer events, or building healthy partnerships and improving the environment in which we operate and manage as a company.

CSR Social responsibility of HMH

As part of the aforementioned commitment to socially responsible business, in order to determine its starting position, the company underwent an initial evaluation by the independent and recognized international sustainability evaluator EcoVadis. We can boast of a silver medal, but the experience that was invaluable was mainly thanks to which we were able to establish a suitable CSR strategy for the company.



Scope of business activities

Since its establishment, HMH has been developing business activities in the field of industrial automation in two product areas:

- technological solutions in rail transport (MIREL systems)
- publishing activity (ATP Journal)



Products under the MIREL brand are the result of our own know-how, from design to production and deployment and cover the following areas:

- Protection systems: MIREL VZ1
- Registration and indication systems: MIREL RM1, RM2
- Control systems: MIREL RS350, RS361, RS363, RS812, RS813
- Cooperating MIREL devices

HMH provides the following comprehensive services in connection with the deployment, operation and maintenance of MIREL systems:

- Technical support during system implementation
- Warranty and post-warranty service of devices
- Systems training
- Scheduled maintenance

A special service is the homologation of railway subsystems.

The development of the supporting product of the MIREL VZ1 train protection system achieved a significant shift in 2022, namely in three main lines:

The first line was the development of a solution integrating two MIREL VZ1 train protection systems with a functional MIREL STB gate with one ETCS on-board device. The resulting innovative product represents a technically and economically very effective solution for securing train sets for operation on the national LS, EVM and SHP infrastructures as well as on the ETCS infrastructure. The main advantage of this solution is the saving of one EVC (central computer of the ETCS mobile part), which represents a significant cost saving and competitive advantage for HMH customers. The result of the effort in 2022 was crowned by the successful completion of the verification operation on the sets of the national carrier ZSSK a.s.

The second line of development was the innovation of the MIREL VZ1 train protection system itself in its new/upgraded version, which brought several new functions and design improvements. The subject of the activity in 2022 was the 4th stage of the project, which represented the primary analytical demonstration of technical safety in accordance with the EN 50129 standard. The efforts of the technical safety and homologation specialist team materialized in the form of a safety assessment report for the purposes of operational verification, which enables in the following period operational verification of the system and subsequent commercial deployment.

The third line of development was the ongoing project to develop a train protection system for the Polish infrastructure, which in December resulted in a successful laboratory verification of the functions by the Polish safety assessor. A team of hardware, software and system engineers, in cooperation with specialists in technical safety, verification and homologation, managed to prepare the product for operational verification.



An important milestone in 2022 was certainly crossing the threshold of 500 modifications of the installation of MIREL systems on our customers' vehicles. The number of different installation modifications of our systems thus confirms the quality, scalability and functionality of our products and, last but not least, high customer satisfaction.

In 2022, the strategy to build, develop and improve the quality of a team of developers, whose creative and purposeful work, many years of experience and knowledge make the development department a value and certainty for the further development and growth of the company, continued intensively.

Ing. Rudolf Michalec
Development department



Ing. Andrej Hoffer
Customer support department



The customer support department entered 2022 cautiously, but determined to move forward and meet the department's core goals. However, the initial uncertainty subsided very quickly and the way to performances comparable to the period before the pandemic was opened. Ensuring the provision of the entire range of services did not let the people in the department cool down for almost a single week, new and new customer requests were being collected, which were still being upgraded at the end of the year. I consider the performance of almost 2,700 services a success, but achieving it required great flexibility and demanding organization. The implementation of services took place simultaneously with the setting up and streamlining of overall processes in the department, which is not an easy task. The challenge for the next period is to achieve coverage of all the needs of the customer portfolio, including service repairs of our equipment, which I consider to be one of the key processes.

Key partnerships

Customers

Customers of products under the MIREL brand, to whom the main business activities of the company are directed, are, from the point of view of the subject of the activity:

- manufacturers of new railway vehicles,
- companies carrying out general reconstructions and modernizations of already operating railway vehicles and
- companies providing operational maintenance of these vehicles.

Customers of services related to deployment, operation and maintenance of MIREL systems are primarily operators of railway vehicles or companies providing operational maintenance for them.

A significant part of the services provided is the commissioning of new products.

HMH's customers are located on the European market, specifically focusing on the operation of vehicles in the countries of Central Europe. The approximately one-quarter share of the Slovak market in the company's total turnover corresponds to the long-term trend.

Purposeful efforts for long-term and stable partnership relations were also successful in 2022, as evidenced by the fact that HMH s.r.o. products and services went to the majority of major European manufacturers. These companies are characterized by high demands on suppliers and regular verification of the required criteria for cooperation.



Ing. David Drozd
Business department

From the point of view of the sales department, the year 2022 cannot be evaluated as anything other than successful. It was possible to implement most of the projects planned thanks to the capacities prepared in advance. The assumption that the market will recover after the previous decline caused by the pandemic situation turned out to be correct. Despite this, the financial plan for the year 2022 was set relatively conservatively, its significant overshoot is a great result and a good starting point for planning the future period, in which there is room to launch completely new projects and activities in other spheres in the medium term.

I positively perceive the creation of new partnerships with customers who until recently had no experience with our solutions, as well as the establishment of closer direct cooperation with some existing customers.

Export share

	SK	EU
2018	23 %	77 %
2019	19 %	81 %
2020	22 %	78 %
2021	25 %	75 %
2022	24 %	76 %

HMH's key foreign customers include Alstom, CZ Loko, České dráhy, ČMŽO elektronika, Deutsche Bahn, Newag, ÖBB, Siemens Mobility, Stadler, Škoda Transportation and others. On the domestic market, long-term customers include Železničná spoločnosť Cargo Slovakia, Železničná spoločnosť Slovensko, ŽOS Trnava, ŽOS Vrútky, ŽOS Zvolen and others.

Suppliers

All key stages of development and production are under the control of HMM, s.r.o., which is the guarantor of high quality and reliability within the complex life cycle of MIREL products. It applies the same criteria to suppliers of the necessary material and component base as well as to suppliers cooperating in specific areas, such as engineering production, production of printed circuit boards and other supporting areas. The basic strategy when choosing suppliers is quality management, long-term business relationships and diversification of risks. For this reason, the company does not prefer dominant partnerships.



Mgr. Marek Cidorik
Production-supplier department

In 2022, the production and supply department felt the benefits of the accumulated stock. The situation turned around after the pandemic years and the demand for MIREL products began to grow again.

Purchasing and shipping were experiencing the biggest rush in the department. The situation with the unavailability of electronic components has reached historical highs. The delivery times of several strategic circuits to our facilities exceeded 14 months, which meant that the products from the ordered components would take more than a year. Since we anticipated this situation based on previous experience and prepared sufficient stock and long-term orders, there were no complications in the flow of production.



The possibilities of suppliers changed significantly, price offers were only valid for a few days or hours. It was therefore important to respond immediately, regardless of working hours. Addressing not only local suppliers, but also more distant foreign countries has increased significantly. Suppliers from Great Britain, France, USA, Germany, Italy helped with unavailable integrated circuits. It is interesting that in the British company IC Blue or the French company Alantys, the direct contacts are Slovak or Czech speaking saleswomen.

In the area of the component base and production of electronic components, the company's main suppliers are SOS electronic, s.r.o., IC BlueLtd, Premier Farnell Ltd, Amset a.s., TME Slovakia s.r.o., Ch-print a.s. Among the key suppliers in the field of engineering cooperation is the company Bedrich spol. s.r.o.

Publishing activity

HMH, s.r.o. has been active since its inception in the field of industrial automation, where it has gradually specialized in two lines – technological solutions for ensuring safety in rail transport and publishing.

|atp|journal|

Since 1994, the subject of the publishing activity has been the monthly ATP Journal on industrial automation, informatics and maintenance. Its content consists of own editorial contributions, external professional articles and commercial services. This information is disseminated to the addressees through a printed version, the operation of the website, social networks, and events.

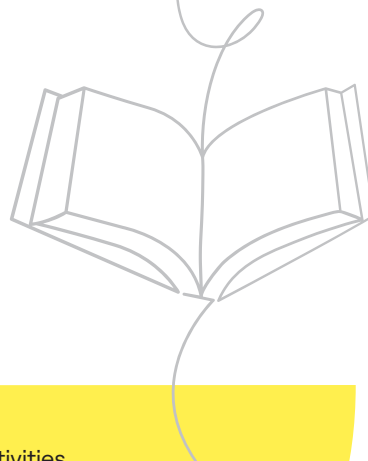
Another activity of the publishing house with the aim of meeting the economic indicators, but also marketing support for the HMH brand, is the publishing of book publications, usually on the subject of railway transport.

The most important customers especially from the Slovak Republic and the Czech Republic in 2022 are B+R automation, Beckhoff Automation, DEHN, EPLAN, KOBOLD, PPA Control, Phoenix Contact, Rittal, Siemens, SCHUNK Intec.

Service suppliers have been the companies KASICO, Bittner Print, LK Permanent, ui42 for a long time.



Dagmar Votavová
Publishing and marketing department



With the change in the organizational structure in 2021, marketing activities related to the main subject of HMH's business – MIREL products – were transferred to the Publishing House.

The following year 2022 was marked by the systematization and development of marketing to the required level so that it comprehensively covers the company's external and internal communication. Expanding the capacities of the department and synchronizing diverse activities was also a challenge.

I consider the year 2022 to be successful. After the newly filled position at the reception, we started the year in the department with full capacities. During the year, we intensively devoted ourselves to the updating of internal guidelines and manuals, which help employees to navigate procedures and processes in the areas of reception, IT management and car operation.

We managed to introduce several innovations for employees with the aim of improving the premises and working conditions in the company. The new storage room for bicycles and scooters, as well as the expansion of the refreshment offer in the company cafeteria, met with a lot of positive feedback.

An important responsibility of the department is communication with Aruba Business Center s.r.o., the main supplier of operational services for HMM s.r.o.

Bc. Ľubomíra Beličková
Internal administration section



Jana Haršániová
Economic and payroll section



In 2022, all processes in the accounting and payroll areas were systematically ensured and implemented. The quality of outputs in the Economic and payroll section has long been positively evaluated by the company's management and regularly audited in order to comply with legislative requirements.

The department successfully expanded and stabilized personnel capacities by adapting a new colleague and integrating a colleague after returning from maternity leave.

Current situation in company

The year 2022 was the year of a change in trend. The decline in the company's performance in 2020 and 2021, which occurred in connection with the COVID-19 pandemic, was fundamental. The company's production in 2021 reached the level of only 60% of the production of 2019. The reason was the impact of the pandemic on the development of the railway market and the railway industry. The overall slowdown of the started projects was fundamental for most areas of the company's operations. With regard to the inertia of the processes, the impact on the company's production in 2021 was even more fundamental than in 2020. The company's decision not to reduce the company's production and storage capacities despite the drop in production, but to use the free capacities for internal development in the field of logistics and warehouse management, proved to be prudent. During the COVID-19 pandemic, the company maintained its production capabilities and prepared adequate stock. Inventories were created in the segment of finished products, semi-finished products and also in the segment of key items of production material. This decision proved to be far-sighted for the following course of 2022. It created favourable conditions for the reversal of the trend and the strong growth that occurred.

The product line that dominated sales in 2022 was the MIREL VZ1 train protection system and its integration with the ETCS system. Revenues from the sale of own products increased by 92% year-on-year. In 2022, 276 new systems were commissioned, which was a year-on-year increase of 22%. Significantly better production results in 2022 were due to the revival of the market and the start-up of suspended or significantly slowed down projects from previous years.

The company managed to eliminate problems in the supply chains by using ready stocks of critical components and replenishing them with sufficient time reserve. Stocks increased year-on-year in the production material segment by 63%, in the semi-finished products segment by 11% and in the finished products segment decreased by 12%.

In the field of service provision, the situation was more stable in 2022. The increase in the volume of services provided increased by 24% year-on-year. Despite the decrease in the volume of planned maintenance as a result of the controlled transition to longer system service intervals, the total volume of services provided increased in connection with a larger number of systems put into operation and a larger number of renewed systems.

In the field of publishing activities, the situation was stable. The established processes, the used technologies and a stable editorial team enabled the systematic continuation of the publishing activities of both periodical and non-periodical press and the achievement of the set goals.

The structure of customers was stable in 2022. During the year, there was no fundamental change in the structure. The number of new orders continued the trend from 2021 and had an upward trend. Increased demand for the company's products did not have a negative impact on customers' payment discipline. On the part of the suppliers, serious problems were noted in the supply of production material and the necessary component base. The reason was the lack of technological components on world markets, rising prices, long delivery times and overall logistical uncertainties. The limitations that the company had to face were compensated by sufficient stocks, which the company stocked up on and which were continuously and in advance replenished. The availability of cooperation capacities was unchanged and sufficient.

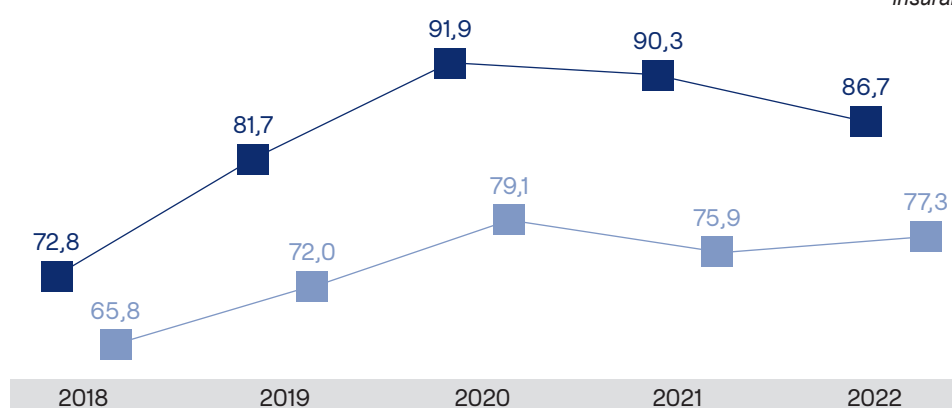
The company's HR capacities were stable in 2022. Minor changes in the organizational structure had no impact on the company's overall capacities. A difficult situation prevailed on the labor market, and filling some specific job positions required considerable effort.

Overall, it can be concluded that the company met the goals of 2022 well beyond expectations. The company's net turnover plan was greatly exceeded. Problems in the supply chain were effectively managed and the situation with the war in Ukraine did not have a negative impact on the company's performance.



Number of jobs vs number of employees

	Average number of jobs	Average number of employees
2018	72,8	65,8
2019	81,7	72,0
2020	91,9	79,1
2021	90,3	75,9
2022	86,7	77,3



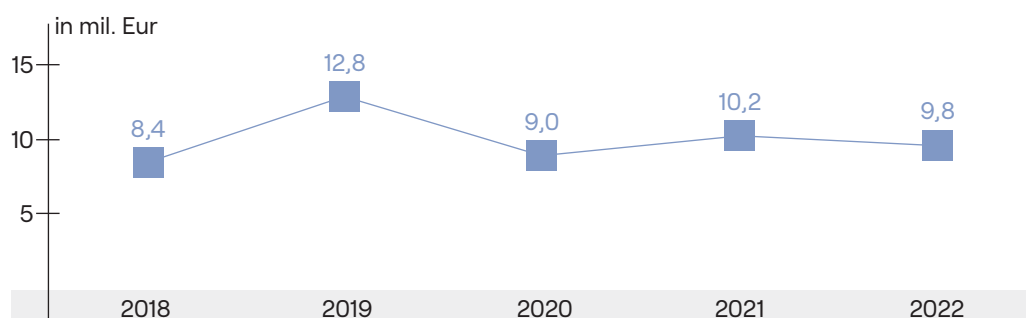
Personal expenses

	Annual personal expenses*
2018	2 232 000 €
2019	2 698 700 €
2020	2 644 900 €
2021	2 641 000 €
2022	3 292 100 €

*Wage costs including social insurance costs and social costs.

Assets

	Gross	Net
2018	9 071 612 €	8 440 533 €
2019	13 580 173 €	12 812 569 €
2020	9 894 043 €	8 996 744 €
2021	11 168 815 €	10 237 864 €
2022	10 862 500 €	9 806 419 €

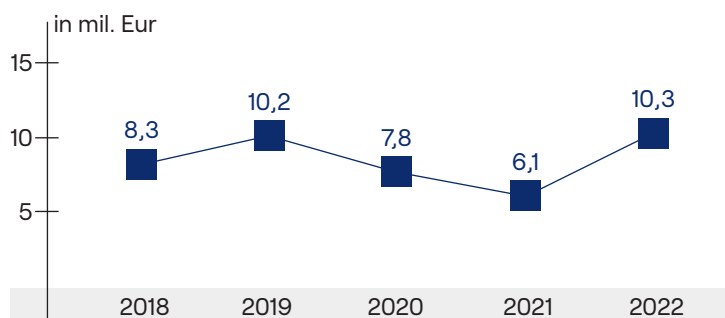


Equity

2018	7 545 760 €
2019	11 872 176 €
2020	7 843 540 €
2021	9 463 524 €
2022	8 272 623 €

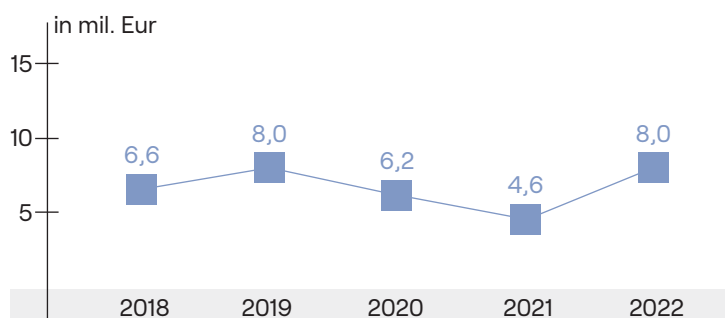
Income from economic activity – sales

2018	8 283 626 €
2019	10 175 613 €
2020	7 779 847 €
2021	6 079 109 €
2022	10 339 701 €



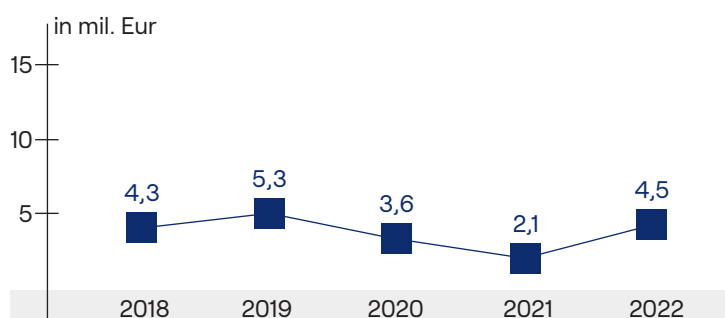
Added value

2018	6 609 017 €
2019	8 045 595 €
2020	6 201 847 €
2021	4 597 730 €
2022	8 004 612 €



Economic result before taxation

2018	4 299 889 €
2019	5 272 142 €
2020	3 561 596 €
2021	2 101 311 €
2022	4 505 976 €



Assumption of future development

The dominant factors influencing the company's development in the following period are the persistence of interest in the company's products on the part of customers. On the supplier side, the situation in the global market for semiconductor components and manufacturing materials has stabilized and shows signs of cautious improvement.

In 2023, the company expects a continuing positive trend from the previous year on the demand side. The company plans the volume of net turnover at the level of the actual turnover of the previous year, which in planning indicators means a year-on-year increase of the plan by 54%.

In the part of the supply chain, the company will deal with the extension of delivery dates, price growth and global logistics outages by planned purchases of components for longer periods. The company purchases critical components with a forecast of 3 to 5 years. The situation in the field of computer chips and semiconductor components in general is particularly unfavourable. The plan to manage these risks is based on the effective use of existing stock and early purchase strategies for the following periods. No complications or mobility restrictions are expected in the field of service provision.

The plan for 2023 is to optimize the use of existing production capacities, increase the efficiency of production and service processes, and implement process and technological innovations. The goal of the planned innovations is to improve the competence and position of the company in the field of security systems for railway transport on the domestic and foreign markets, in the position of a technological company and in the position of a small-series manufacturer.

The product line that continues to dominate is the MIREL VZ1 train protection system and its integration with the ETCS system. A large part of the development activities is also linked to this product line. The innovations planned by the company in 2023 are oriented towards the system integration of the unified European train control system ETCS from various manufacturers with the MIREL system. Taking into account the nature of the projects, their implementation is expected to take an average of 2 to 3 years.

We expect a difficult situation to persist on the labour market. Mainly when recruiting in the field of technical professions and in the field of job positions for development. In 2023, we will pay increased attention to filling specific positions in the development department.

Another goal that the company has set for 2023 is the development of process management, an integrated management system for the areas of quality, safety at work, environmental safety and the development of the company's competence in the field of railway vehicles maintenance.



Evaluation of the company's results

Balance sheet – asset side

Tag	Description	2022 (net in €)	2021 (net in €)
	Total assets	9 806 419	10 237 864
A. I.	Intangible assets	48 388	71 499
A. II.	Tangible fixed assets	234 903	270 475
B. I.	Inventory	2 642 379	2 436 389
B. II.	Long-term receivables	194 782	133 422
B. III.	Short-term receivables	1 638 685	2 145 463
B. V.	Financial accounts	5 027 471	5 168 176

Commentary on the Balance Sheet – assets side

The decrease in total assets was mainly caused by a decrease in non-current assets and a decrease in short-term receivables. Long-term intangible assets were not acquired in 2022. The decrease in non-current assets was caused by lower investments in 2022. The value of long-term tangible assets reflects the needs of technical security of the company's operation. The increase in inventories is due to the increase in production and sales revenue. The decrease in short-term receivables is caused by a slight decrease in trade receivables due to the payment discipline of customers and mainly by a decrease in tax receivables, which last year consisted of an overpayment of income tax. Available financial resources were secured by judicious and economical cash flow management.

Balance sheet – liability side

Tag	Description	2022 (net in €)	2021 (net in €)
	Total equity and liabilities	9 806 419	10 237 864
A.	Equity	8 272 623	9 463 524
A. I.	Share capital	20 000	20 000
A. IV.	Legal reserve funds	2 000	2 000
A. VII.	Economic result of previous years	4 591 349	7 657 441
A. VIII.	The economic result for the accounting period after tax (+/-)	3 658 776	1 783 585
B. I.	Long-term liabilities	40 753	42 187
B. II.	Long-term surplus	23 624	17 836
B. IV.	Short-term liabilities	672 811	270 808
B. V.	Short-term surplus	794 390	440 904

Commentary on the Balance Sheet – liabilities side

Total liabilities decreased in 2022 due to the decrease in own resources. The decrease in equity was caused by the payment of part of the profit of previous periods. The growth of the current period's profit caused an increase in the company's turnover related to the growth of interest in the company's production and its services. The decrease in long-term liabilities is the value of the social fund and its drawdown in the current year. In the current year, reserves for retirement benefits, unused vacation and bonuses increased. Current liabilities increased due to the increase in tax liabilities based on the reported higher profit in 2022.

Selected indicators of income and expenses

Tag	Description	2022 (net in €)	2021 (net in €)
*	Net turnover	10 339 184	6 055 345
**	Revenues from economic activity in total	10 306 939	6 365 559
II.	Revenues from the sale of own products	7 977 324	4 145 967
III.	Revenues from the sale of services	2 361 860	1 909 378
IV.	Change in internal organizational inventory (+/-)	- 48 163	10 431
VII.	Other income from economic activity	15 401	250 770
**	Total costs of economic activity	5 789 538	4 293 146
B.	Consumption of material, energy and other non-storable supplies	1 461 359	899 720
D.	Services	819 125	591 986
E.	Personal expenses	3 292 115	2 641 043
G.	Depreciation and impairment loss for long-term intangible assets and long-term tangible assets	102 573	100 685
***	The result of management from economic activity (+/-)	4 517 401	2 072 413
*	Added value	8 004 612	4 597 730
**	Income from financial activity	897	35 499
***	The result of management from financial activity	- 11 425	28 898
****	The economic result for the accounting period before taxation	4 505 976	2 101 311
R.1.	Income tax payable	928 561	332 875
2.	Deferred income tax	- 81 361	-15 149
****	The economic result for the accounting period after tax	3 658 776	1 783 585

Commentary on incomes and expenses

The company's economic result increased compared to the previous period. The increase in profit is due to the growth in sales. The costs of economic activity have increased due to the growth of sales. The growth of production and sales of our own products also caused an increase in the consumption of materials and energy. The second reason for the growth of these costs was the enormous increase in the prices of some input materials and energy. The increase in the cost of purchased services was mainly caused by an increase in the cost of rent, an increase in the cost of certifications and technical controls for production, an increase in educational activities and the cost of participating in fairs, which were limited in previous years due to the impact of the pandemic. The costs of rent and services related to rent increased due to the expansion of company and warehouse premises. Publishing costs also increased, caused by the increase in printing costs. Personal expenses increased due to the increase in wages and social insurance costs. The growth of the economic result from economic activity mainly caused the growth and development of the company's main production and services. In past periods, services provided by the company have been limited by the impact of pandemic restrictions. The significant growth of added value points to the fact that the company permanently analyses its economic indicators and considers profit as one of the basic motives of its business activity. The increase in the cost of payable income tax is a consequence of the increase in the reported profit of the company.

Special relevance events

An important factor that occurred during 2022 with the potential to influence the outlook for the following period is the changed geopolitical and security situation in connection with the war in Ukraine. Considering the fact that the company does not carry out any activities on the territory of Ukraine and the Russian Federation, the war itself and accompanying sanctions do not have a direct impact on the company's activities. Secondary risks and impacts, such as rising energy prices, unavailability of specific components on the market, changes in customer expectations, will be continuously monitored and analysed. The company will take any measures to eliminate risks on an ongoing basis.

Significant risks and uncertainties to which the accounting entity is exposed

The company systematically analyses risk factors in the area of market, technical factors, economic and financial factors, human resources, environmental factors and safety with the following findings.

The unavailability of components in the market, unreliable delivery dates, rising commodity and energy prices and global logistics outages cause complications and reduce the efficiency of the company's supply chain and logistics. The plan to manage these risks is based on the effective use of existing stock and early purchase strategies for the following periods.

The unavailability of the necessary candidates on the labor market for the field of development and other technical professions is a significant risk for the future. The company systematically improves the internal process of searching, hiring and adapting new employees.

With the exception of generally known business risks, or force majeure events and with the exception of the events described above, the company has not identified any other specific significant risks and uncertainties for the following periods.

Profit sharing proposal

The only partner at the general assembly of HMM, s.r.o. discussed the financial statements compiled as of 31. 12. 2022 at the regular general meeting on March 29, 2023 and subsequently discussed the following proposal for the distribution of the profit achieved in the 2022 financial year.

- Achieved profit: €3,658,775.51
- Distribution to the retained earnings account of previous periods: €3,658,775.51
- Distribution of profit shares among partners: €0.00
- Distribution to the social fund from the company's profit: €0.00
- In the course of 2022, the company paid shares of profit from previous years to the partners.

Other essential information

There is no company that prepares consolidated financial statements for the largest group of companies for which HMH, s.r.o. is a subsidiary.

There are no companies in which the company HMH, s.r.o. is a partner with unlimited liability.

The company HMH, s.r.o. does not have an established foreign branch.

Company HMH, s.r.o. had costs related to research and development in the amount of €1,235,096.88 in 2022, of which €499,984.84 was for projects under consideration. The subject of development was Control and protection technology for railway transport.

Company HMH, s.r.o. did not account for the acquisition of any own shares, temporary bonds or business shares and shares, temporary bonds or business shares of the controlling person.

Company HMH, s.r.o. its activity does not have a significant impact on the environment, it does not emit exhalates into the air or create water pollution or particularly hazardous waste, and it proceeds in accordance with the certification of the Environmental Management System according to the international standard ISO 14001.

Attachments

Financial statements of HMH, s.r.o. compiled from data as of 31.12.2022 is in full wording in accordance with § 23 of Act no. 431/2002 Collection of Acts on Accounting filed and published in the Register of Financial Statements on April 6, 2023.

Report of the independent auditor to the shareholders and the statutory body of HMH, s.r.o. for the year 2022 from the audit of the financial statements and to this annual report issued by the company RENAUDIT CONSULTING, s.r.o. Nitra on May 18, 2023.

